

# M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Dolores Kendrick, Manager Analyst: M. Tolentino

Subject: One-Step Agreement for **CRANE AEROSPACE AND ELECTRONICS**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace  
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 10,000
  - *In California:* 550
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$528,768
- Substantial Contribution: \$0
- Total ETP Funding: \$528,768
- Total In-kind Contribution: \$806,931
  - *Trainee Wages Paid During Training:* \$806,931
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles

### **INTRODUCTION:**

Crane Aerospace and Electronics (Crane), a manufacturer of aircraft parts and auxiliary equipment, qualifies for standard ETP funding as a manufacturing company facing out-of-state competition as specified under Title 22 California Code of Regulations, Section 4416(b).

### **MEETING ETP GOALS AND OBJECTIVES:**

Crane proposes training that will further the following ETP goals and objectives:

- 1) To foster job retention in industries threatened by out-of-state competition.
- 2) To provide workers with the skills necessary to transition to a high performance workplace.
- 3) To promote California's manufacturing workforce.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	MENU: Business Skills Continuous Improvement	459	24 -160	0 - 8	\$1,152	*\$12.90 - \$64.57
<b>Wages After 90-Day Retention</b>						
<b><u>Occupation</u></b>						
Accounting/Financial Staff						
Administrative/Human Resources Staff						
Engineering Staff						
Information Technology Staff						
Operations/Production Staff						
Manager/Supervisor						
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b>
*Health benefits of at least \$2.61 per hour may be added to the trainees' wages to meet the ETP minimum hourly wage of \$12.90 for Los Angeles County.					9%	10%
<b><u>Other Employee Benefits:</u></b>						
401K, Vacation and Sick/Personal time, Employer-paid basic life and Accidental Death or Dismemberment Insurance.						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

Participants in this project meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee) except for 46 (10%) managers and supervisors.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

### **RECOMMENDATION:**

Staff recommends that the Panel approve this proposal based on Crane's stated need to provide employees with skills to serve customers better, improve productivity and reduce waste, which will lead to gains in the market share and help the company remain viable in the California economy.

### **NARRATIVE:**

Crane's Burbank facility, formerly known as Hydro-Aire, Inc. was established in 1943 by Homer H. Rhoads, as a manufacturer of soldering irons and electric wall heaters. Because of the World War II effort, the company began designing, developing, manufacturing and marketing components for aircraft, particularly aircraft hydraulic system components.

In December, 1951, the assets of the company were acquired by Crane Co., and Hydro-Aire, Inc. became a wholly owned subsidiary of Crane Co. In 2004, Crane Co. merged its aerospace companies, including Hydro-Aire, Inc., changing the company's name to Crane Aerospace and Electronics. Today, Crane manufactures antiskid and brake control products; a variety of centrifugal pumps; and a broad range of hydraulic components for many aerospace applications. The company's customers include Boeing, Fedex and Airbus.

Since 2004, Crane Co. has been changing the business culture of its aerospace subsidiaries from yesterday's old economy value-creation and capabilities into the technology-driven, fast-paced future of the new economy. According to Crane representatives, its parent company has established updated benchmark metrics that will leverage intellectual capital, realize efficiencies, reduce costs, eliminate waste, and ultimately add value to its customers. To implement this new culture successfully, workers need training in Continuous Improvement and Business Skills training to give them tools to prepare them for changes in processes and responsibilities.

Crane representatives call its training initiatives the Competitive Edge: Lean/Continuous and Business Skills. Training is focused on creating a cell which operates as a value-creating team and is supported by leadership committed to the team's success in achieving customer-driven metrics. During workplace walk-throughs, cross-disciplinary leaders and support staff listen to problems and needs with an attitude of support and service. The team brainstorms solutions and implements plans to remove obstacles and achieve cell metrics. Training in this curriculum was designed to immediately flag variances and produce solutions to problems in real time. Once problems have been identified and addressed, improvements become part of standard work. With responsive leadership, cell leaders are agents for change, keeping the team focused on customer needs and maintaining personal involvement, using walk-throughs and quick stand-up meetings, with specific targeted objectives. The Kaizen program incorporates this ideal by training workers on lean manufacturing theories and process.

**Continuous Improvement** Lean Methodology training will enable all trainees to use problem-solving and analysis techniques to find and eliminate waste in machinery, labor, or production methods and allow the company to improve productivity, safety, effectiveness, space utilization, and reduce waste. In addition, training will offer several employees the opportunity to become internal ISO auditors.

**NARRATIVE:** (continued)

**Business Skills** training will assist the company to implement a proprietary Customer Satisfaction-core training program which started in June 2006 and is focused on preparing employees to provide world-class customer service. Training will prepare employees in a streamlined approach to work processes, such as Credit and Collection process and encourage trainees to serve customers better, faster, with better quality products and responsiveness, leading to gains in market share.

***Commitment to Training***

Crane representatives state that ETP funding will not displace the employer's resources for training. The representatives indicate that their training budget (approximately 2% of its payroll) allows for job-specific and safety-focused training such as forklift training and a comprehensive 4-hour course on company history, culture, values, and vision. In addition, the company offers training in the fundamentals of Teamwork, Leadership, Communication, Continuous Improvement, Lean principles, Six Sigma and APICS principles. However, training in these areas consists of only eight hours per year and offered mostly to managers or leads. With ETP assistance, the representatives said Crane will be able to increase the training a new level.

Crane representatives reported that as part of its commitment to training, in the two years following the proposed ETP-funded training, Crane will provide training in Continuous Improvement, Leadership Skills, Machine Operator Skills, and Information Technology (i.e. Oracle, MS Office), Workplace English (ESL), Workplace Ergonomics, Effective Writing, Quality Management, Safety Training, Statistical Analysis Training, Hardness and Conductivity Training, Product Development/New Product Introduction Training, Geometric Tolerancing, Foreign Object Damage Training, SolidWorks/CosmosWorks and Technical Writing.

**SUBCONTRACTORS:**

Training subcontractors to be determined.

**THIRD PARTY SERVICES:**

The IM Group of Greenwich, CT assisted Crane in developing this proposal for a flat fee in the amount of \$22,000.

## **Crane Aerospace and Electronics**

### MENU CURRICULUM

Class Lab Hours  
24 - 160

Trainees will receive any of the following:

#### **CONTINUOUS IMPROVEMENT**

- + Kaizen Breakthrough
- + Business Process Kaizen Workshop
- + Invoicing Process Price vs. Quote, Credit & Collection
- + Managing Daily Improvement (MDI)
- + Lean Sigma Process Improvement
- + Procurement
- + Standard Operations
- + Lean Sigma Value Chain
- + Complex Assemblies-setup reduction
- + Conventional Assembly – Quantity
- + Level-load customer demand
- + Streamline new order process
- + Planning and Scheduling
- + System Configuration
- + Supplier Development
- + Shopfloor Kaizen
- + Point Kaizen
- + Point Lean Training
- + Just in Time
- + Design for Lean
- + Leadership
- + Network Systems
- + ISO 9000/9001

#### **BUSINESS SKILLS**

- + Customer Satisfaction
- + Dealing with Difficult Customers
- + Time Management
- + Project Management
- + Sales and Public Relations
- + Basics of Effective Communication
- + Technical Data
- + Brokering
- + Export Record Keeping
- + Managing Violations and Disclosures
- + Restricted Party Screening
- + Conducting Internal Audits
- + Product Classification

**Crane Aerospace and Electronics**

MENU CURRICULUM

Class Lab Hours  
24 - 160

Trainees will receive any of the following:

**BUSINESS SKILLS** (continued)

-  Offshore Procurement
-  Tools for Export Compliance

Computer-Based Training  
(CBT) Hours  
0 - 8 hrs.

Trainees will receive any of the following:

**BUSINESS SKILLS**

- Customer Satisfaction - 3 hours
- Dealing with Difficult Customers - 1.5 hours
- Time Management - 1.5 hours
- Project Management - 2 hours
- Sales and Public Relations - 1.5 hours
- Basics of Effective Communication - 3 hours
- Brokering - 1 hour
- Export Record Keeping - 1 hour
- Managing Violations and Disclosures - 1 hour
- Restricted Party Screening - 1 hour
- Conducting Internal Audits - 1 hour
- Product Classification - 1 hour
- Offshore Procurement - 1 hour
- Tools for Export Compliance - 0.5 hours

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
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